

I. Introduction

1. The Committee under the Chairmanship of H.R.H. The Prince Philip, Duke of Edinburgh, which drew up the Scheme for The Queen's Award to Industry in 1965* recommended that the working of the Scheme should be reviewed after five years, so that any modifications which practical experience of its operation had shown to be desirable could be introduced. In accordance with this recommendation and at the request of the Prime Minister we have reviewed all aspects of the Scheme. A summary of our recommendations is provided in paragraph 53 below.

2. Although appointed in their personal capacities the members of the Review Committee have of course brought to their work their knowledge and experience of the Scheme derived from the offices they hold or have held in organisations concerned with the economic life of the country, and from their own practical involvement in industry and commerce. This has been extended by the papers received from the 120 trade associations, firms and others listed in Appendix A to this Report and from numerous individuals who have approached us, in response to the invitation to those wishing to suggest changes in the Scheme contained in the Prime Minister's announcement of the Review in the House of Commons on 27th November 1969. These suggestions and comments, representing public opinion generally (and which are evidence of the wide interest in the Scheme) have been most useful to us, and in formulating our recommendations we have taken them all very carefully into consideration. We have also had the advantage of papers submitted to us by the Office of The Queen's Award to Industry, which administers the current Scheme under the direction of the Prime Minister's Advisory Committee, and by the Board of Trade and the Ministry of Technology.

II. Continuation of the Scheme

3. We are satisfied that the Scheme has proved successful and we recommend that it should continue. Experience has shown this to be a much sought-after honour and the number and quality of applications remains high. The Award has evoked considerable enthusiasm from firms which have won it, on the part of management and workers alike. Recipients have made wide use of the emblem. The flag flies proudly over factories and head offices; the emblem is prominent on letter headings and is highlighted in company reports and in advertising. The Award has made considerable impact upon the public consciousness and the announcement each year attracts considerable attention in the Press.

4. We are particularly impressed by the response to this Scheme from the factory floor, which we regard as further justifying the belief upon which it is

* *The Queen's Award to Industry*, published 1965 by HMSO.

founded that there is a place in this modern age for the concept of a Royal "battle honour" for the industrial unit which, working as a team, shows outstanding achievement in fields essential to the wellbeing and prosperity of the nation as a whole. As such, we see this Award as a creation of lasting value, and trust that it will continue, and perhaps continue to develop, as a permanent element in the ancient Honours system of the United Kingdom and in our industrial life.

5. We have received one or two suggestions that the grant of the Award should be accompanied by what are called "tangible rewards"—meaning usually some special tax reliefs—but we are certain that this is not the medium to deal with such matters and that their inclusion would detract from the dignity of the Honour.

III. The Purposes of the Scheme

6. The existing Scheme that we were asked to review is designed to recognise and encourage outstanding achievement by industrial units. We find that the term "industrial unit" has not always been understood, and a definition of what we consider it should mean in this context is provided in paragraph 37 below. The essential factor is that this is an Honour for a group of people working in the economy of this country as a team, as opposed to Honours conferred upon individuals, such as knighthoods and membership of Orders of Chivalry.

7. Notwithstanding references to "efficiency" in the Report of the 1965 Committee, we find that the present Scheme was conceived and devised, and has operated in practice, to recognise and encourage outstanding achievement in two particular respects only, viz.:—

- (i) increasing the unit's direct exports;
- (ii) improving the unit's technology (in relation to either its processes of production, or the nature of its products).

The Scheme is not designed at present to recognise and encourage achievement in every activity by industrial units which contributes to national wellbeing or to the health of the economy, or to the maintenance of a satisfactory balance of payments. (Nor of course is it concerned directly with the prosperity of the industrial unit itself or the return to its shareholders or employees, or the benefits of its operations to consumers.)

8. Most of the criticisms and suggestions for improvement we have received have been addressed to this subject—the scope of the Scheme. These representations divide into two groups. One group suggests that a Scheme concerned solely with exports and technological innovation is too narrow, and should be widened to cover other activities by which industrial units can demonstrate excellence, or benefit the country at large. The other group of suggestions represents that whilst it may be reasonable to restrict the Scheme to exporting

and technological innovation (at the present time, anyway) the particular definition of exporting provided in 1965 is too narrow, and excludes many whose activities are in fact closely similar in purpose, nature and result to those selected for recognition.

9. We have much sympathy with suggestions that recognition should be given to a wider range of beneficial activities. It may fairly be argued that an award "to Industry" should recognise the many ways in which industrial units can demonstrate social contribution, such as efficient working or harmonious labour relations or success in providing employment or good training schemes or pollution control or increased productivity by means other than technological innovation. However we do not feel able to recommend such extension at the present time, partly because the Scheme would then become most complex and difficult to administer fairly, but chiefly because the extension would blur the message now conveyed clearly by the Scheme. Perhaps an extension of this kind will be sensible and possible at some future date. At the present time however, and for the foreseeable future, success in export markets and technological innovation remain crucial factors upon which all other desirable features of economic activity in this country depend, and we support the original decision which conceived and devised this Award to recognise their particular and outstanding importance. We recommend therefore that The Queen's Award to Industry should continue for the time being to be related to outstanding achievement in one or other of these two respects, and in these alone.

IV. Eligibility in Respect of Export Achievement

10. On the other hand we agree with those who have criticised the present restriction—in the case of the export Award—to exporters of goods. In the same way as the individual may earn his cash income by selling either goods he has produced or the use of his personal services and tools, so the nation earns its disposable income in overseas currencies either by exporting goods or by providing services to non-residents. A distinction between exporters of goods and exporters of services is artificial and unfair, and discourages an important sector of the nation's economic activity. We recommend therefore that the Scheme be extended to cover industrial units exporting services—such as units in the banking, insurance, consultancy, contracting, brokerage, shipping, aviation and tourist industries and professions—on similar terms and conditions as apply to those exporting goods.

11. We recommend also removal of the requirement which now excludes from consideration the unit's achievements in exporting goods which are not of its own manufacture. Such a change would admit to consideration merchants and others who do not themselves manufacture all they sell, such as the merchant converter in the textile industry or the waste trades or the chemical plant exporter who sells, designs, delivers and usually installs a complete plant overseas but may arrange for some or all of the equipment concerned to be manufactured for him by others. This recommendation embodies a principle which we regard as important, namely that the special feature in exporting for the purposes of this Award lies in devising a product to meet the requirements of an overseas market, and arranging its production in the United Kingdom and sale abroad; and whilst

efficient manufacturing and delivery are indeed important elements in this, we consider that they need not necessarily be carried out within the applicant's own organisation.

12. Our recommendation that exports of services be brought within the Scheme derives from their similarity in purpose, nature and result to exports of goods. We suggest that this principle should guide the assessors in deciding whether a particular activity should be eligible for consideration for an Award, and on what basis. Certain points of general application need special mention however and these are discussed in paragraphs 13–25 below.

(i) The amount of UK “product” exported

13. It is accepted in the present Scheme that most goods exported from the United Kingdom have some “imported content”—they incorporate materials or components imported from abroad. To this extent the value of the exports made is not a true measure of the applicant's achievement in exporting products of this country: the “imported content” ought first to be deducted. In practice the imported content is usually small enough to be ignored, and the factor is only taken into account by the assessors when it is obviously significant. In the case of exports of services however the overseas expenses involved can be very considerable. For example, if a merchant sells Australian goods to Japan, he should be given credit towards an Award not for the full proceeds of the sale but for his net profit or commission on the sale as finally received in the United Kingdom. Similarly, engineering consultants serving clients abroad should receive credit for their net fees after deduction of their overseas expenses; and insurance underwriters should be credited with premiums received from non-residents net of claims paid and other overseas expenses. We recommend therefore that exports of services and exports of goods not manufactured by the industrial unit applying for the Award should be eligible in respect only of the amount earned by the United Kingdom and accruing to the United Kingdom's disposable income; specifically, the export figures eligible for consideration should be taken to be the amount actually received in this country after deduction of overseas expenses. (However, in view of the importance of good marketing, we suggest that the present practice of ignoring the expenses of marketing the United Kingdom goods or services be continued.)

(ii) Indirect exporters of goods

14. Indirect exporters of goods are units producing materials and components (and sometimes finished products) bought in by manufacturers or merchants in this country and incorporated in the latter's exports. Sometimes these provide an important element in the finished product (e.g. tyres in motor vehicles, or cloth bought in by the wholesale woollen merchant). In fact, few exporters produce everything themselves from unprocessed raw materials, and their suppliers are part of the team producing the export achievement. However, it would be impracticable to recognise every contribution to the achievement. It is the eventual exporter who arranges the sale, organises the production, and buys his materials and other supplies where he deems fit; and we consider that the line which must be drawn at some stage should be drawn to exclude all suppliers to exporters as such. We appreciate the special claim for consideration of the indirect exporter who makes a major contribution to a particular

export success; but there is just no practical way of measuring this and with some regret we cannot recommend its inclusion.

(iii) Indirect exporters of services

15. As in the case of indirect exporters of goods, we consider that firms providing ancillary services "bought in" by United Kingdom exporters should be ineligible as such for the Award: but they should be eligible in respect of their own direct exports, that is for their services provided abroad to non-residents. Units in this category include export agents, export packers, designers, advertising agents, market research consultants, banks and others providing finance for exporters, and so on. Services associated with imports into this country should be ineligible for consideration.

(iv) Import savers

16. It has been argued to us that producers for the home market make a contribution to the balance of payments. This is undoubtedly true, but everything produced for the home market may be regarded as an import-saver, and if it were decided to commend specific effort to reduce dependence upon imports, it would be a near-impossible task to devise means by which one firm's efforts and success in this respect could be compared with another's, and judged outstanding. It is clear that import-saving is not exporting; and we cannot recommend the establishment of import-saving as a special qualification for the Award.

(v) Shipping and aviation

17. Shipowners and aircraft operators resident in the United Kingdom are units of the United Kingdom economy, and to the extent that they bring earnings into this country from their freights or fares paid by non-residents they are exporters of services. As with other exporters of services, these earnings should be considered net of overseas expenses, which would need to be adjusted to take account of the fact that their ships and aircraft serve both United Kingdom residents and non-residents at the same time. Their purchases or sales or leaseings of ships, aircraft, etc (but not maintenance costs incurred abroad) should be ignored.

18. It has been suggested to us that carriers should be given credit for their receipts from British residents, but we are unable to accept this. We regard this element in their activities as production for the United Kingdom market—or import-saving.

(vi) Income from the sale or licensing of know-how overseas

19. It is not always possible to export goods or services to every market. The nature of the product, or import restrictions in the market, may prevent this. We recommend that net income received by industrial units in this country from non-residents (including the applicant's overseas subsidiaries or associates) in respect of royalties or other payments for the use of patents, trade marks, designs, or informal know-how or services, including managerial services, should be eligible for consideration on the same basis as exports of goods and other services.

(vii) Profits on direct investment overseas

20. Similarly, we recommend that income remitted to this country, after overseas tax, from the profits of the applicant unit's investments in its overseas branches, subsidiaries and associates in the same general line of business should be eligible for consideration. By a subsidiary, we mean the case where the United Kingdom industrial unit has voting control or is otherwise in a position to control the composition of the overseas company's board of directors. By "associate", we mean the situation where there is some trading link (e.g. a licensing or marketing relationship) between the two businesses in addition to the shareholding; this provides the relationship to the basic activity of exporting goods or services from the United Kingdom from which the eligibility of income from direct investment derives. The Office of The Queen's Award to Industry should not need to enquire into the nature of the trading link where the two companies are in the same general line of business.

21. A special procedure will be required for calculating the overseas expenses involved, in addition to overseas tax, in earning income from such overseas investment. In this case the overseas expense comprises the overseas investment itself—the overseas currency purchased or forgone when the investment was made, and still tied up abroad. Converting this to an annual basis, we recommend a notional deduction from the amount remitted home in a given year, calculated as a standard percentage on the current value of the investment as shown in the applicant unit's books. This would produce a net figure comparable to the proceeds from exports of goods and services, to which the common criteria for assessment of achievement can be applied. We consider that the level of the charge should reflect the price of venture money at home and abroad, and suggest 10 per cent at the present time.

22. We have considered suggestions that profits on direct investment abroad which are not remitted home should also be taken into account, but we are unable to accept this. Profits ploughed back may increase the value of the investment and so be beneficial to their owners and perhaps to the country generally in the long run, but this concept of benefit is too far from the similarity with exports which we have taken as the basis for eligibility: it contributes nothing in the period of assessment for the Award to the country's current disposable income.

(viii) Interest received on loans and credit made overseas

23. We do not consider that interest received on loans or credit extended to non-residents should be taken into consideration for the Award. Moreover, since interest rates tend to be determined by market factors, a high return would not necessarily indicate outstanding achievement by the lender; and in practice, the amount remaining after deduction of the "expense" factor discussed in paragraph 21 would rarely be large. Finally, the range of lending activities is so wide (and it includes cases where the lender also borrows abroad) that the administrative task of assessment of achievement would be virtually impossible.

(ix) Profits on portfolio investment abroad

24. As explained in paragraph 20 above, we regard net remitted profits received by an industrial unit from its direct investments in its overseas associates

in the same general line of business as evaluating an activity similar in purpose, nature and result to exporting goods and services. We are unable to take the same view however of the transaction where a United Kingdom resident buys shares in an overseas company unrelated to his business in this country, simply as a capital investment. Portfolio investment is affected by other considerations too: for example, the effective return may relate less to the dividends regularly received than to the capital gains achieved by skilful (or sometimes fortunate) buying and selling of overseas equities, and it would be difficult to devise a simple system for assessing the current net return to the country's disposable income. We appreciate that portfolio investment abroad is an integral part of the business of some industrial units, such as merchant banks, investment trusts and insurance underwriters, but conclude that any attempt to bring their particular activities in this field within the Scheme would require complex special arrangements, and even then leave provisions not entirely free from anomaly. Therefore, whilst we recognise the contribution made by portfolio investment abroad to the achievement of a satisfactory balance of payments, we recommend that the Scheme should not be extended to this particular activity at the present time.

(x) Tourism

25. We accept that tourism is now a major "exporting" industry, and that industrial units in this industry should be eligible for the Award. It may prove difficult however to extract figures for their sales to non-residents, separate from their sales to United Kingdom residents, for use as a basis for assessment of achievement. The problem of assessment is complicated by the wide range of activities—hotels, restaurants, theatres, shops, transport operators, travel agents and so on—which serve the overseas tourist: and it can be argued that the achievement in attracting the overseas tourist is made not by the individual unit in the industry but by the industry as a whole (including non-commercial activities, such as public ceremonial). We feel unable to do more than state the criteria for the Award and the principles by which these should be generally applied; and hope that these will provide a basis for applications for the Award from units in the tourist industries, and by which those showing outstanding achievement can be recognised.

V. The Assessment of Export Achievement

26. We have been concerned so far in this Report with identification and definition of the types of activity which we consider should be eligible for consideration for the Award in respect of export achievement, and with the calculation of the export earnings to be entered for consideration. We turn now to the criteria by which the achievement represented by these earnings should be assessed.

27. The 1965 Committee provided six criteria to guide the assessors. These were chiefly statistical, requiring the applicant's export figures to be assessed in relation to the following factors:

- (i) A substantial and sustained increase in total exports over a period of three years.

- (ii) A substantial and sustained increase in the percentage of total export sales to total business over a period of three years.
- (iii) A percentage of exports to total business which is considerably and consistently higher than the average for the applicant's sector of industry.

These criteria are modified by criterion (iv) as follows:

- (iv) A spectacular increase over a shorter period than three years where there is a reasonable prospect that the performance can be maintained.

There are also two additional criteria:

- (v) A breakthrough in a particularly difficult market.
- (vi) The greatest value of export sales by any group or company in a given year.

In practice, to gain an Award an applicant has been required to show achievement under all three criteria, (i) to (iii), and the assessors have not found it possible to give much weight to criteria (iv) to (vi). Moreover, difficulties were found in relation to criterion (ii), which would penalise the applicant whose business grew at home as well as abroad and over-credit the applicant whose home market shrank, whilst criterion (iii) demands for purposes of comparison statistics for total national production and exports of particular products which are not available in the detail required. Thus the Scheme has developed a heavily-weighted bias towards criterion (i), and other factors have only been crucial when obviously significant.

28. In addition to the criteria listed above, the 1965 Committee provided in paragraphs 12–17 of their Report not only discussion of how these criteria might be applied but additional qualifications which successful candidates may be expected to show as well. In paragraphs 15–16 they suggested that the quality of the exporter's effort, and of the unit's organisation for exporting, should be taken into account, as well as overall success, and thought that this factor would be particularly valuable in distinguishing between firms whose sales records were otherwise similar. In practice the need so to distinguish has not arisen to any very marked extent, the main need being for means of weighting the sales figures themselves, and these additional factors have not been incorporated in the selection procedure in any systematic way.

29. We consider that it would be better if the factors by which export achievement is to be assessed were brought together and published in a single paragraph, comprising a statement of the basic qualification and an explanation of additional factors which the assessors will take into account. We provide such a paragraph as criterion (i) for the Award in paragraph 35 below. This is intended to bring together in its first sentence, and in what we regard as the appropriate relationship one to another, the present criteria (i)–(iii). The second sentence gives appropriate weight to the present criterion (v); and the third sentence involves the quality of the applicant's export marketing organisation and export effort.

30. In drafting our new criterion we have sought to require the assessors to give full weight to the aspects of the measurement of achievement discussed in

paragraph 14 of the Report of the 1965 Committee. The first sentence of this paragraph reads:

“ We would not wish to overlook the achievement of firms whose performance is outstanding but whose export sales are already so high as to leave little scope for improvement.”

A prime purpose of this Award Scheme is to recognise and encourage successful efforts to *increase* exports, including those of units switching resources to serve the country's need to earn more abroad. Nevertheless, recent efforts of this kind should not be allowed to obscure unfairly those of units which are already achieving an outstanding level of export success, and continue to renew this year after year. We recommend therefore that the first factor for which credit should be given is the current sustained level of the unit's exports, taking into account the nature of the goods and services concerned (since some are more exportable than others) and the size of the unit's overall operations.

31. At the same time, recent substantial increase to a higher sustained level should be looked for. In paragraph 13 of their Report the 1965 Committee explained that they had provided for this to be assessed over a period of three years: an increase might be shown from Year 1 to Year 2, but the figures for Year 3 are required to show that the new level has been sustained. We agree with this, and have worded our criterion to require the assessors to give credit for the increase between Year 1 and Year 2, to the extent that the new level is maintained in Year 3. If there has been further growth between Year 2 and Year 3, additional credit should be given for this also, but at a lower rate, since there is no evidence until the fourth year's figures are available that this yet higher level of exports will in fact be sustained. No Award should be given to an applicant who does not show a substantial increase between Year 1 and Year 2, to a level which is sustained in Year 3.

32. Thirdly, we provide specifically in the criterion for the quality of the applicant's export marketing organisation and export effort to be taken into account. Clearly, the Award for export achievement must be related chiefly to the quantity of sales achieved; and of course a substantial and sustained increase in export sales is at least *prima facie* evidence of efficient export management. Nevertheless, we consider that the assessors should endeavour also to look behind the export sales figures submitted to them at the initiatives and the marketing effort and skills involved in producing them. Without trying to carry the parallel too far, it is desirable that the Export Award should recognise and encourage progress towards excellence in export marketing processes in the same way as the Technology Award is aimed at improvement in the quality and sophistication of the country's production processes.

VI. The Assessment of Achievement in Technological Innovation

33. Experience has shown that the conditions governing Awards for technological achievement are satisfactory and need little change. They have provoked no significant criticism either in the past or in the representations which have been made to the Review Committee. Indeed the response from industry has been very favourable and the Award is highly prized. The Scheme has made it possible to honour a great variety of outstanding technological achievements in a wide range of industrial activities. We believe the basic concept of the Scheme of Awards for technological achievement, as originally outlined by the Duke of Edinburgh's Committee, to be sound. That Committee's view that the Scheme should be predominantly concerned with the efficient commercial application of outstanding innovation seems to us to be still wholly in harmony with present day requirements.

34. The Award is made, at present, for achievements such as: firstly, a significant advance in the application of advanced technology to a production or development process or, secondly, the production for sale of goods incorporating new and advanced technological qualities. These criteria have stood up well to experience. Nevertheless we recommend that one amendment should be made. This is to delete the word "advanced" before "technology" in the first criterion, because the timely application of established technology, as against advanced technology, may well be equally important and deserving of recognition, particularly in the less sophisticated sectors of industry. We recommend, however, that a "significant advance" in the application of technology should continue to be required. We should not wish to recognise the belated or stereotyped application of existing techniques.

VII. The Criteria for the Award

35. The 1965 Committee provided for a single Award to Industry, which would be given for outstanding achievement either in exports or in technology or in a combination of both. We agree with the concept of a single Award, and recommend that the basis for qualification should be achievement in respect of the following criteria:

- (i) A substantial and sustained increase in export earnings to a level which is outstanding for the products or services concerned and for the size of the applicant unit's operations. Account will be taken of any special market factors described in the application. Applicants for the Award will be expected to demonstrate the basis of the achievement (e.g. improved marketing organisation or new initiative to cater for export markets) and this will be taken into consideration. Export earnings considered will include receipts by the applicant unit in this country from its exports of goods produced in this country, and its provision of services

to non-residents, after deduction therefrom of overseas expenses incurred other than marketing expenses. Income by profits (after overseas tax) remitted to this country from the applicant unit's direct investments in its overseas branches, subsidiaries or associates in the same general line of business will be taken into account, but not receipts by profits on other overseas investment or by interest on overseas loans or credit.

- (ii) A significant advance, leading to increased efficiency, in the application of technology to a production or development process in British industry or the production for sale of goods which incorporate new and advanced technological qualities.

36. These criteria would replace those set out in paragraph 11 of the Report of the 1965 Committee.

VIII. Eligibility : The " Industrial Unit "

37. We recommend that any United Kingdom organisation producing goods or services should be eligible for the Award, to the extent that it carries out activities which meet the criteria provided. We agree with the 1965 Committee that bodies whose activities conform with the terms of the Scheme as a whole should not be excluded merely because they may not appear to be industrial units in the conventional sense. At the same time, we believe it to be fundamental to the corporate nature of the Award that a unit to be eligible must comprise a firm, factory, office, laboratory, shop or similar identifiable unit, operating regularly as a unit of the United Kingdom economy, and having a number of United Kingdom partners or employees. A business or professional practice operated by a sole proprietor would be eligible.

38. A limited liability company incorporated in the United Kingdom should be eligible, irrespective of whether its shareholders are British residents. A company not incorporated in the United Kingdom should not ordinarily be eligible. However, we have considered the case of foreign companies operating a branch in this country—there are several such which have operated here for many years, and indeed contribute both to exports from this country and to technological innovation. In the past such branches have been deemed ineligible: we consider this anomalous and unfair to their employees, and recommend that branches which are industrial units otherwise complying with our recommendations in paragraph 37 above should be treated in the same way as subsidiaries of overseas companies.

39. The eligibility of a unit which is only part of a larger organisation must depend upon the category of achievement under consideration. Technological innovation may involve only a section of the organisation's total operations, and the concern of the selectors for the Award should be to identify for recognition the particular unit or units within the organisation which deserve the credit: to this extent we endorse paragraph 9 of the Report of the 1965 Committee. Export achievement, on the other hand, involves the applicant's overall trading performance, so that if the applicant unit is part of a larger organisation it must

be a self-contained unit, under distinct management and producing and marketing its own distinct product: moreover, the selectors must look for the possibility of window-dressing and for cases where the branch is performing a function within the group which would be ineligible if it were an independent concern. These interpretations have been given in the past and we endorse them.

40. Again, we recognise in the case of technological innovation that research associations, educational institutions and other bodies of like nature as discussed in paragraph 10 of the Report of the 1965 Committee can play a major role in developing a new process or product, of general application. Research associations have received Awards for technological innovation of this kind. There has been a case also where the co-operation between a research organisation and a production unit has been regarded as of a nature justifying a Joint Award. We accept the difference of kind between such co-operation and the trading relationships in export business, and we recommend that this aspect of eligibility for Awards in respect of technological innovation should continue to be treated in the same way.

41. A special case arises in the export field when several companies co-operate in a consortium to fulfil major contracts abroad. In so far as the individual members continue to contract separately direct with the overseas customer, they receive credit individually towards an Award for such direct exports; but to the extent that a consortium company is formally established in this country to conduct the business concerned (or if one of the partners assumes the responsibility of overall contractor), it receives the credit for the exports made in its name and the contributory firms become merely suppliers to it, and are treated as indirect exporters as discussed in paragraph 14 above. We consider that the latter case can be unfair for, as the term itself implies, the contribution of a partner in a consortium is much greater than that of the ordinary supplier "at arm's length" to an exporter who provides the full entrepreneurial initiative and responsibility. We recommend therefore that when a consortium wishes to "allocate" the credit for its exports between its several members, this should be considered sympathetically.

42. When an Award is won by a branch which has insufficient identity of its own to be cited separately from the larger organisation of which it is part, the parent organisation has to be given the Award "for" the branch. We see no way of preventing display and use of the Emblem by the parent organisation in such case, though we hope that parent companies will in future restrict such use to the premises, personnel, products and literature of the branch unit or units concerned. A somewhat similar circumstance arises when a large group has a number of subsidiaries which merit the Award individually and where, as a matter of convenience and to avoid inflating the number of Awards beyond reasonable bounds, it has been the practice to make a single Award to the parent company: the parent and the individual units responsible are named in the citation, and group members not so named are not permitted to use the Emblem. We agree with this.

43. The 1965 Committee recommended that if an Award winner should subsequently merge with another company the Award should not lapse. There have been numbers of mergers and take-overs affecting Award winners, and the

Office of The Queen's Award to Industry has negotiated with the new owners arrangements by which the unit which earned the Award can continue to use the Emblem, but the new associates do not: where the original identity is lost, the new company has been allowed to use the Emblem with a legend clearly explanatory of the circumstances. We approve these arrangements.

IX. The Standard of the Award

44. We agree with the 1965 Committee that the Award should set and maintain the highest standards for achievement. A suitable standard has been applied during the life of the Scheme to date, and we recommend that this should continue, and be applied equally to additional activities brought within the scope of the Scheme. The number of Awards has varied from year to year (see Appendix B), reflecting variation in the number and quality of the applications. We would expect an extension of the scope of the Award such as we have recommended to bring a rise by perhaps a quarter in the number of Awards made annually. We do not propose that the number of Awards should be restricted to a fixed annual maximum.

45. It has been represented to us that the good but not outstanding exporter should receive some recognition. We understand this request, for the country's export performance represents hard, unremitting effort by many people over many years. However, whilst we have considered suggestions that lower grades of the Award should be instituted, we regard this as inappropriate to this Scheme. We hope that the changes we have recommended to guide the selectors more definitely into considering the nature of the products exported, the size of the unit, any special market factors, and the quality of the effort producing the success, as well as the export figures themselves, will provide reassurance of fair and equal opportunity.

X. The Currency of the Award

46. We agree with the 1965 Committee that an Award should be held for five years, and then lapse. After five years the "virtue" in the outstanding export achievement or technological innovation which earned the Award will usually have run out. The 1965 Committee provided for further Awards to be granted to those showing further outstanding achievement in subsequent years, and this has worked well, the figures in Appendix B showing that 122 "repeat" Awards have been won. To gain a "repeat" Award, it is not sufficient to show that the level of achievement which won the Award previously has been maintained. A further achievement at least equivalent to that shown by those currently successful for the first time should be required.

47. We recommend that the rules requiring the dating of Emblems should continue unchanged.

XI. The Selection Procedures

48. We have been impressed by the care and labour devoted to the assessment of applications for the Award. It is appropriate that this should continue, so that applicants and the country generally can rely upon fair and responsible treatment of their claims, and confidence in the high standard set is justified. The cost of the Scheme to HM Government has been of the order of £50 per applicant for the "export award" and £80 per applicant for the "technology award". We suspect that the cost to the applicants themselves has been considerably higher in some cases, and indeed have noticed applications which seem to us to have been presented in an unnecessarily elaborate way. We hope that the more precise guidance now given on the factors taken into consideration will help in reducing this. We certainly do not wish any potential applicant to be put off by the belief that an elaborate application is necessary.

49. The 1965 Committee provided for recommendations for the Award to be made to Her Majesty The Queen by the Prime Minister. The Prime Minister is assisted by a small Committee composed of members from both within and outside the Government Service, which draws upon advice from outside its membership as necessary. This Advisory Committee is served by two subordinate committees under the aegis of the Board of Trade and the Ministry of Technology, which advise respectively upon the export and technological aspects of applications. Our recommendations require no changes in these arrangements, which have worked well.

XII. Method of Presentation

50. The arrangements for the presentation of the Award, as provided by paragraph 7 of the Report of the original Committee, have worked very well indeed, and we recommend that they should continue unchanged. We should like to pay tribute to the ready co-operation of the Lords Lieutenant of Counties, whose participation on behalf of Her Majesty The Queen has been a substantial factor in the success of the ceremonies.

XIII. Rules Governing the Awards

51. Our recommendations would require minor changes in the Royal Warrant. We have no changes to recommend in the Rules governing the use of the Emblem. As a matter of interpretation, we recommend that members of units holding the Award should be permitted to wear the Emblem on cuff-links or brooches, or on neck-ties, in forms and through distribution channels approved by the Office of The Queen's Award to Industry.

XIV. Provision for Further Review

52. The future prosperity and standing of this country will to an important degree always depend upon the two factors which this Scheme is designed to recognise and encourage. Nevertheless, these are times of change and we believe that further reviews will be necessary in the future to adjust the Scheme to changing conditions and to ensure its most effective operation. Since our recommendations, especially those relating to exports of services, would take the Scheme into new fields we recommend a review not later than 1975.

XV. Summary of Recommendations

53. Our recommendations are summarised below.

Continuation of the Scheme

- (i) The Scheme has proved successful and should continue as a permanent element in the Honours system of the United Kingdom. (paras 3–5)

The purposes of the Scheme

- (ii) The Award should continue to be made to the “ industrial unit ”, i.e. to a group of people working in the economy of this country as a team, as opposed to Honours conferred upon individuals. (para 6)
- (iii) The Award should continue to be made for outstanding achievement in exporting or in technological innovation, and in these respects only. (paras 7–9)

Eligibility in respect of Export Achievement

- (iv) Exporters of services should be eligible for consideration on the same basis as exporters of goods. (para 10)
- (v) Achievement should be assessed in relation to the unit's total exports of United Kingdom goods or services; the present restriction to goods of the unit's own manufacture should be removed. (para 11)
- (vi) The figures eligible for consideration in respect of exports of services and exports of goods not of the unit's own manufacture should be taken to be the net sum accruing to the United Kingdom's disposable income after deduction of overseas expenses other than marketing expenses. (para 13)

- (vii) Units should not be given credit for their "indirect exports", i.e. for goods or services which they supply to other United Kingdom industrial units exporting from this country.
(paras 14-15)
- (viii) The Award for export achievement should not be extended to cover production for the home market ("import saving").
(para 16)
- (ix) Shipowners and aircraft operators resident in this country should be eligible for consideration in respect of earnings brought into the United Kingdom from freights or fares paid by non-residents, after appropriate deduction for expenses incurred abroad.
(paras 17-18)
- (x) Income received by industrial units in this country from non-residents (including the unit's overseas associates) in respect of royalties or other payments for the use of patents, trade marks, designs or informal know-how or other services supplied should be eligible for consideration on the same basis as other exports of goods or services.
(para 19)
- (xi) Income remitted to this country from the profits of the unit's overseas branches, subsidiaries and associates in the same general line of business should be admitted to consideration as analogous to exports of goods and services. The assessors should deduct a notional figure to represent the expense to the United Kingdom economy of the investment producing the income, calculated as a standard percentage on the current value of the investment as shown in the United Kingdom unit's books. We recommend 10 per cent at the present time.
(paras 20-22)
- (xii) Income from interest on loans or credit extended to non-residents should not be eligible for consideration.
(para 23)
- (xiii) Income from portfolio investments abroad should not be eligible for consideration.
(para 24)
- (xiv) Industrial units in the tourism industry should be eligible for consideration, in so far as they are able to show outstanding achievement within the criteria provided.
(para 25)

The assessment of Export Achievement

- (xv) The assessors should take all of the following factors into account:—
- (a) the level of the unit's exports, taking into account the nature of the goods or services concerned and the size of the unit's operations;
 - (b) the extent to which this level has been increased and sustained at the higher level;

- (c) evidence of a continuing pattern of further growth;
 - (d) any special market factors;
 - (e) excellence of the unit's export marketing organisation and initiatives.
- These factors should be brought together and published in a single paragraph, in an appropriate relationship one to another.

(paras 26–32)

The assessment of achievement in Technological Innovation

- (xvi) Since the timely application of established technology to a production process can be equally as important as advances in process technology, the word “advanced” should be deleted from the present criterion (vii).

(paras 33–34)

The criteria for the Award

- (xvii) New consolidated criteria, incorporating recommendations xv–xvi above, are provided.

(paras 35–36)

Eligibility for the Award

- (xviii) Definition of the industrial unit eligible for the Award is required, and is provided.

(paras 37–43)

The standard of the Award

- (xix) Suitably high standards for achievement have been set during the life of the Scheme to date. These should continue, and be applied equally to additional activities brought within the scope of the Scheme. The extensions recommended in the scope of the Scheme may increase the number of Awards made annually, by perhaps a quarter. The number of Awards should not be restricted to a fixed annual maximum.

(paras 44–45)

The currency of the Award

- (xx) The provision that an Award should be held for five years and then lapse, and the provision for “repeat” Awards, should continue. The rules requiring the dating of Emblems, where practicable, should continue unchanged.

(paras 46–47)

The selection procedures

- (xxi) The selection procedures recommended by the 1965 Committee have worked well, and should continue.

(paras 48–49)

The method of presentation

- (xxii) No change is required in the arrangements for the presentation of the Award, which have given general satisfaction.

(para 50)

Rules governing the Awards

- (xxiii) These recommendations involve minor changes in the Royal Warrant. The use of the Emblem on cuff-links or brooches or on neck-ties, under approved arrangements, should be permitted.

(para 51)

Provision for further review

- (xxiv) A further review should be held, not later than 1975.

(para 52)

Appendix A

Firms, associations and others wishing to suggest changes in the Scheme were invited to submit views for the Review Committee's consideration. Wide publicity was arranged for this invitation, and a gratifying and most useful response resulted, from the organisations, companies and individuals named below.

Simon Ackerman Ltd.

The Agricultural Engineers Association Ltd.

Aircraft Research Association Ltd.

Aquascutum Ltd.

Association of British Chambers of Commerce

The Association of Consulting Engineers

Association of Lieutenants of Counties

The Association of Wholesale Woollen Merchants Ltd.

Bellfax Ltd.

Bellingham & Stanley Ltd.

The Bell School of Languages

M. Berman Ltd.

The Birmingham Small Arms Co. Ltd.

Peter Blaker Esq, MP

Bookers Agricultural & Technical Services Ltd.

Boyle & Son Ltd.

David Bridge & Co. Ltd.

Bristow Helicopters Ltd.

British Agricultural Export Council

British Aircraft Corporation Ltd.

The British Chemical & Dyestuffs Traders' Association Ltd.

British Chemical Engineering Contractors Association

British Consultants Bureau

The British Electrical & Allied Manufacturers Association Ltd.

British European Airways

British Export Houses Association

British Hartford-Fairmount Ltd.

The British Hotels & Restaurants Association

British Industrial Truck Association

British Overseas Airways Corporation

British Transport Docks Board

The British Travel Association

Cadbury Schweppes Ltd.

Carlson Ford Sales Ltd.

Joseph Cheaney & Sons Ltd.

Church & Co. Ltd.

Coates Brothers & Co. Ltd.

The Cocoa, Chocolate & Confectionery Alliance

A. Cohen & Co. Ltd.

Colt Heating & Ventilation Ltd.

Committee on Invisible Exports

Confederation of British Industry

Coode & Partners

Coulter Electronics Ltd.

Court Works Ltd.

C.S.E. Aviation Ltd.
The Cycle & Motor Cycle Association Ltd.

Deeglas Bishop Ltd.

Elemelt Ltd.
Elga Products Ltd.
The Export Group for the Constructional Industries

Federation of Sussex Industries Ltd.
The Felixstowe Dock & Railway Co.
Foster Wheeler Ltd.

Gestetner Ltd.
Sir Alexander Gibb & Partners
Stanley Gibbons Ltd.
Glasgow Chamber of Commerce

The Hardware Manufacturers' Association
Stephen Hastings Esq, MC, MP
Howard Humphreys, Keeble & Partners
Hunting Surveys & Consultants Ltd.

Imperial Chemical Industries Ltd.
Industrial & Trade Fairs Holdings Ltd.

Jaycee Furniture Ltd.
Joyce, Loebli & Co. Ltd.

The Kett Manufacturing Co. Ltd.
C. C. Kohler, Esq.

Leicester & District Hosiery Manufacturers' Association Ltd.
Lennig Chemicals Ltd.
J. H. Little Engineering Ltd.
The Liverpool Chamber of Commerce and Industry
Livesey & Henderson
Llewelyn Davies Weeks Forestier Walker & Bor
London Works Steel Co. Ltd.

Macaseta Ltd.
Marlow Ropes Ltd.
Masson Scott Thrissell Engineering Ltd.
Edward Matthews Ltd.
Peter Messenger (Plant) Ltd.

The National Wool Textile Export Corporation
The New Consolidated Mines of Cornwall Ltd.
North East Development Council
Nuclear Enterprises Ltd.

Ove Arup & Partners

Chas. Page & Co. Ltd.
Parsons & Whittemore Lyddon Ltd.
Perkin Elmer Ltd.
Fred Perry Sportswear Ltd.
Persian Carpet Trading Co. Ltd.
Phipps Faire Ltd.
The Precision Chain Industrial & Export Group

Precision Processes (Textiles) Ltd.
 Pye Unicam Ltd.
 Rose, Morris & Co. Ltd.
 Rothwell Plant Breeders Ltd.
 Saffron Press Ltd.
 Sheffield Chamber of Commerce
 The Ship & Boat Builders National Federation
 Clifford W. Shrimplin Esq.
 Walter S. Siegel Ltd.
 Simon Engineering Ltd.
 Slough & District Junior Chamber of Commerce
 Frank J. Smith Esq.
 The Society of British Aerospace Companies Ltd.
 The Society of Licensed Aircraft Engineers & Technologists
 Walter Somers Ltd.
 The Steel Nut & Joseph Hampton Ltd.
 Stenner of Tiverton Ltd.
 Tootal Menswear Ltd.
 Toye, Kenning & Spencer Ltd.
 United Transport Overseas Ltd.
 Universal Crop Protection Ltd.
 University of Manchester—Department of Liberal Studies in Science
 Valvoline Oil Company
 Sir Anthony Wagner, K C V O, D Litt, Garter Principal King of Arms
 The Waste Trade Federation
 Weir Westgarth Ltd.
 William Warne & Co. Ltd.

Appendix B

Number of Applications Received and Awards made to date

	1966	1967	1968	1969	1970	<i>Total</i>
<i>Applications Received</i>						
a. Export	532	883	660	675	893	2,750
b. Technology	72	134	182	168	183	556
c. Export and Technology ...	202	302	179	136	149	819
	<u>806</u>	<u>1,319</u>	<u>1,021</u>	<u>979</u>	<u>1,225</u>	<u>4,125</u>
<i>Awards Made</i>						
a. Export	86	48	60	69	74	337
b. Technology	11	28	17	24	25	105
c. Export and Technology ...	18	9	8	6	5	46
	<u>115</u>	<u>85</u>	<u>85</u>	<u>99</u>	<u>104</u>	<u>488</u>
<i>Repeat Awards (included in above total of Awards made)</i>						
a. Export		9	15	27	35	86
b. Technology		3	5	6	8	22
c. Export and Technology ...		4	4	2	4	14
		<u>16</u>	<u>24</u>	<u>35</u>	<u>47</u>	<u>122</u>

THE QUEEN'S AWARD TO INDUSTRY

Report of the 1970 Review Committee
under the Chairmanship of
The Right Hon. the Lord McFadzean



LONDON

HER MAJESTY'S STATIONERY OFFICE

1970

The Committee

Lord McFadzean, *Chairman*

Sir William Armstrong, GCB, MVO

Sir Richard Clarke, KCB, OBE

Mr. W. Ernest Haynes

Lord Kings Norton

Mr. Cyril H. Kleinwort

Sir Arthur Norman, KBE, DFC

Sir Antony Part, KCB, MBE

Sir Peter Runge

Joint Secretaries: Mr. Arthur Vine

Dr. Peter G. Forrest

1st May, 1970.

The Rt Hon Harold Wilson, OBE, MP
Prime Minister,
10 Downing Street,
Whitehall,
London, SW1

My dear Prime Minister,

My Committee which you appointed last December to review the Scheme for The Queen's Award to Industry has now completed its work, and I enclose our Report.

We have sought to provide in the Report, which we assume will be published, clear guidance for the future administration of the Scheme and sufficient discussion for people to understand the reasons for the recommendations made. In response to your invitation in Parliament last November to those wishing to suggest changes in the Scheme, we received representations from 120 firms, trade organisations and other interested bodies and we have endeavoured to deal in the Report with the views they expressed. For these reasons the Report is fairly long and we have therefore included a summary of our recommendations.

Our work has involved us in some complex and difficult considerations, but I believe that the changes we recommend are fair and practicable and would be understood and accepted by public opinion generally. I am happy to tell you that all our recommendations are unanimous.

Your sincerely,

McFADZEAN.